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Iacocca battles to salvage minivan's reputation

Lee Iacocca to Chrysler's dealers last week: Transaxle problems could ruin minivan sales and kill Chrysler. "Without minivans," he said, "we don't eat."

Consumer Reports cites snag in A604 Ultradrive gearbox

By Mary Connelly
AUTOMOTIVE NEWS STAFF REPORTER

Consumer Reports magazine's warning against some Chrysler minivans could threaten the life of the company and its dealers, Chrysler Corp. Chairman Lee Iacocca told the company's 4,000 dealers last week.

An indignant and obviously worried Iacocca launched an extensive damage-control operation last week.

The February issue of the influential *Consumer Reports* told consumers not to buy Chrysler cars and minivans equipped with the company's A604 Ultradrive four-speed automatic transmission because of reliability problems. The 1.4 million vehicles equipped with the 2½-year-old transmission include most Chrysler minivans.

Iacocca clearly doesn't want the minivan to go the way of the Suzuki Samurai, another vehicle that was panned by *Consumer Reports*.

Last week, Chrysler executives told dealers that the company will take several actions, including a national minivan advertising campaign, a public relations hotline, daily monitoring of consumer reaction nationwide and telephone calls to all owners of A604-equipped vehicles.

Iacocca also told the dealers: "If it still has problems, find 'em and fix 'em." He has designated a top engineer to be the A604 troubleshooter.

The minivan is Chrysler's most profitable vehicle — bringing in an estimated $4,000 pre-tax profit per unit. That makes it a critical vehicle for a company that, analysts suggest, will report 1990 financial results on Thursday that will be break-even at best.

Most minivans are equipped with the A604, which is paired with the company's V-6 engines.

"We have a very serious problem right now that could drive us all out of business if we don't address it — and I mean fast," Iacocca said in a satellite telecast to dealers Wednesday.

"A604 is not the problem I am

see CHRYSLER, page 37

Production cutbacks go worldwide

Japanese, European makers join Big 3 in trimming schedules

By Mary Ann Maskery
and Richard Johnson
AUTOMOTIVE NEWS STAFF REPORTERS

World automakers, stung by plummeting sales and burgeoning stocks, are scrapping 1991 estimates issued only weeks ago and slashing production in a bid to ride out what for many has become an unexpectedly severe recession.

The Big 3 U.S. carmakers have temporarily idled thousands of workers and cut tens of thousands of units from first-quarter production schedules. Japanese automakers, who started the year with forecasts many analysts regarded as "too bullish" anyway, are pondering U.S.-inspired cutbacks.

And European makers, battling for share in a 17-nation market where the only bright spot has been Germany, are cutting jobs and output in plants from Scandinavia to Italy.

"We're learning that nobody's immune from weak demand," said Jerry Paul, analyst for Sanford C. Bernstein & Co. in New York.

see CUTBACKS, page 38

Chicago unveilings

Lincoln-Mercury's Mystique, an upscale four-door minivan concept, is unveiled this week at the Chicago auto show. Mystique displays some styling cues from the 1993 Mercury minivan being developed jointly with Nissan. Mystique features an in-line eight-cylinder engine. Also being unveiled are three 1992 production vehicles: Pontiac Bonneville, Buick LeSabre and Ford Econoline/Club Wagon. Story on Page 4.

Atlanta bound

A rundown of the NADA Convention and Exhibition in Atlanta is featured in *Automotive News Insight*, which follows Page 20.

Ford uses 'dedicated team' to develop 1995 Mustang

By Laura Clark
AUTOMOTIVE NEWS STAFF REPORTER

DETROIT — A team of young, enthusiastic car nuts is developing the 1995 Ford Mustang in a top-secret, experimental skunk-works project outside Ford Motor Co.'s Engineering Center.

Kenneth Dabrowski, program manager for international and small car programs, says the Mustang development group is Ford's first experiment with the dedicated team approach. If successful, it could be used for future programs.

The 200 engineers — many in their 20s and 30s — work in a separate building secured by coded-entry doors and isolated from Ford's other engineering buildings.

The group's only guidelines are to comply with government regulations and to meet cost targets.

The Mustang group, smaller than most vehicle development teams, was formed around six hand-picked engineers who are sports-car enthusiasts or Mustang owners.

The purpose of the program is not only to reduce cycle time on the new car, but to see how a relatively small, self-contained group of engineers operates within Ford.

The Mustang development team meets with Dabrowski once a week, and so far he's impressed.

"There's a tremendous amount of enthusiasm on the team," he says.

Dabrowski calls this kind of car-

see MUSTANG, page 35

Worried German auto leaders work to stem anti-U.S. protests

By Richard Johnson
AUTOMOTIVE NEWS STAFF REPORTER

FRANKFURT, Germany — The leaders of Germany's automotive industry are moving quickly to try to counter worldwide television-news images of German protesters besieging U.S. military bases, defiling the American flag and carrying placards accusing the United States of murder.

Mindful of the potential for a backlash from customers in the key U.S. market, the automakers have launched an intensive lobbying effort to win a statement from German political leaders decrying the anti-American nature of recent anti-war demonstrations.

And in one company's attempt to distance itself from the protesters,

see PROTESTS, page 6

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GM, Chrysler expected to slash ad budgets

Convinced that the war and recession won't end soon, General Motors will likely chop $140 million from its ad budget and Chrysler $50 million. Story on Page 2.

Auto show blows into Windy City

But will Gulf war, recession put the big chill on attendance?

By Rick Kranz
CHIEF EDITOR, COPY DESK

The Windy City will be the stage for world debuts of 1992 models from Pontiac, Buick and Ford, and concept vehicles that offer viewers much more than a glimpse of what Lincoln-Mercury and Oldsmobile plan for the near future.

The 83rd annual Chicago Automobile Trade Association Auto Show will provide the spotlights, giving consumers a clear look at the 1992 Pontiac Bonneville, Buick LeSabre and Ford Econoline/Club Wagon. Each vehicle has been significantly restyled and re-engineered for the coming model year.

SPOTLIGHT ON AUTO SHOWS
Birmingham
Paris
Los Angeles
Detroit
Chicago
Geneva
New York

On the concept scene, L-M will take the wraps off Mystique, a four-door minivan designed with upscale buyers in mind, and Oldsmobile will unveil Achieva, a four-door sports sedan that shows the styling direction of Oldsmobile's future compact cars.

And while consumers check out the new models, automakers will monitor show attendance, a barometer of what may be in store for the spring selling season.

Over the years, the nine-day show has consistently attracted about one million persons who usually had to brave sub-zero temperatures or a lake-effect snowstorm to reach McCormick Place.

But this time, automakers will look closely at attendance at Chicago for similarities to last month's Detroit auto show. Concerns about the Persian Gulf war and the weakening economy resulted in 100,000 fewer people attending the North American International Auto Show.

Among the cars that will generate considerable interest at the Chicago show are the 1992 Bonneville and LeSabre. Both have abandoned the wedge look, adopting a silhouette that is rounder, more jellybean-like in shape.

Similar to the 1992 Oldsmobile 88 Royale, unveiled last month, Bonneville and LeSabre carry side window glass that is flush with the surrounding body work. Each has a windshield that wraps smoothly into the forward pillar and a backlight that is angled to stress both appearance and aerodynamic performance.

But unlike General Motors' styling themes of the 1980s, Buick and Pontiac avoid the clone-like designs that failed to strongly differentiate Oldsmobile 88s from LeSabres, Bonnevilles from 88s, and cost GM sales. The styling goal for the 1990s is to create a family resemblance within a division, unlike the 1980s when the emphasis was on corporate similarity.

larity.

Pontiac's revolving platform will feature the redesigned Bonneville, which goes on sale this spring, and that line's new star — the limited-edition Bonneville SSEi.

SSEi is a high-performance sedan that packs GM's 195-horsepower, supercharged 3800 V-6. The engine uses an Eaton supercharger and produces 255 pounds-feet of torque at 3,200 rpm.

When SSEi production begins later this year, the standard equipment list will include traction control and air bags for both driver and passenger.

About the same time that the new LeSabre begins appearing in dealerships this fall, Ford's new Econoline/Club Wagon will go on sale. The redesigned full-sized van sports a rounder shape, larger window glass areas and considerable improvements in ride and safety.

Volvo will use the Chicago stage to introduce its 240 Special Edition wagon. Production is limited to 600 vehicles, and each wagon will carry a black grille, blacked-out window moldings, multi-x pattern alloy wheels, anti-lock brakes and other equipment.

The Chicago auto show is scheduled for Feb. 9-17 at McCormick Place.

Mystique: Clues to the future

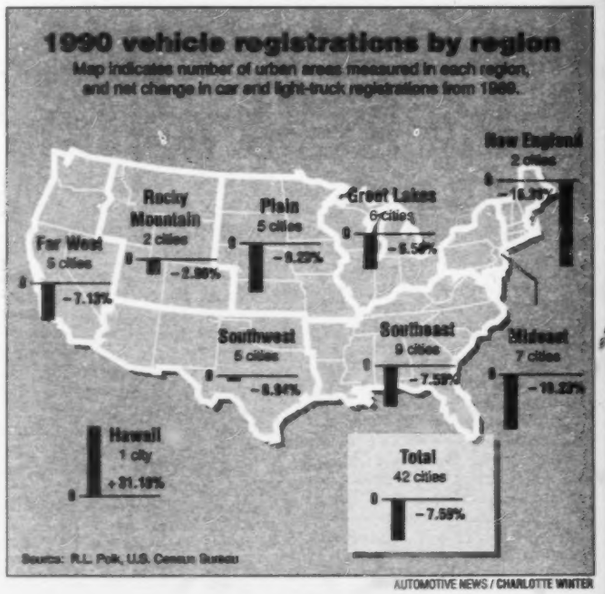
Designers of Lincoln-Mercury's Mystique set out to create a four-door minivan that appeals to upscale buyers.

Mystique is L-M's concept vehicle that will be unveiled at the Chicago auto show (photo on Page 1). The vehicle displays some styling cues that will be adopted on the 1993 Mercury minivan that is being developed jointly with Nissan.

The flexible concept vehicle could lead to front-wheel, rear-wheel and all-wheel-drive versions. A VCR entertainment system is mounted in each seat back. And passengers can control sun shading with the turn of a knob — the sun visors and all-glass roof contain liquid crystal film.

Mystique's large interior compartment is achieved, in part, through a T-drive powertrain configuration. The inline eight-cylinder engine is transversely mounted, and the transmission is integrated longitudinally at the center of the crankshaft.

An additional benefit of the powertrain configuration is a low floor. Seats in the first two rows swivel outward for easy entry and exit. Second- and third-row seats slide forward on power floor-mounted tracks.



AUTOMOTIVE NEWS / CHARLOTTE WINTER

BY THE NUMBERS

Business was down for all areas in '90; West fared best, East sales were beastly

By Jim Henry
AUTOMOTIVE NEWS STAFF REPORTER

NEW YORK — While 1990 was a tough year for anybody selling cars, it was tougher in the depressed New England market and not quite so tough in the Southwest.

Car and light-truck registrations in Boston plummeted 16.1 percent in the 1990 model year ended Sept. 30. Neighboring Providence, R.I., was hit even harder, falling 17.2 percent from the 1989 model year.

Meanwhile, if you were selling cars in Honolulu, Seattle or Cleveland, you were selling in an expanding vehicle market during the model year.

An *Automotive News* analysis of 42 U.S. Metropolitan Statistical Areas, broken down to eight regions based on a U.S. Department of Commerce classification, showed wide regional swings in the 1990 decline. The analysis was based on registration statistics provided by R.L. Polk & Co.

With exceptions, including the notable exception of three sluggish California markets, the West fared better than the East, as the West was supported by a greater percentage of truck sales.

All eight regions were down, model year-to-model, year in total light- vehicle registrations. But the Southwest and the Rocky Mountain regions showed a year-to-year improvement in light- truck registrations.

In the 42 urban markets, total registrations fell 7.6 percent, nearly the same as the 7.7 percent drop in total nationwide car and light-truck sales for the 1990 model year. The markets surveyed accounted for total light-vehicle sales of 5.56 million, about 40 percent of total national sales.

New England, whose economy is in the tank, was the worst region, down 16.3 percent to 202,646 light vehicles in the Boston and Providence markets. The five urban markets of the Southwest were the best overall, down just 0.9 percent to 477,641.

Only six of the 42 urban markets showed a year-to-year improvement in light-vehicle sales.

Way, way out West, the most successful market was Honolulu, where registrations rose 13.2 percent to 56,468. Light trucks gained 11.6 percent; cars rose 13.8 percent.

Other winners: Seattle, up 11.3 percent; Portland, Ore., up 5.2 percent; Houston, up 3.4 percent; San Antonio, up 2.7 percent; and Cleveland, up 0.8 percent.

Thirteen of the 42 markets suffered double-digit declines. Minneapolis/St. Paul had the biggest dip, down 18.4 percent.

Despite the successes of the Pacific Northwest markets in the Far West region, the Far West markets were down 7.1 percent overall to 941,846.

The Southwest was represented by five cities in Arizona, New Mexico, Oklahoma and Texas. Car sales there declined 2.1 percent, while light-truck sales increased 0.9 percent to 178,571. Light trucks had a 37.4 percent market share in the region.

Registrations in other regions:

- Mideast, (Baltimore; Newark, N.J.; Buffalo, N.Y.; Philadelphia; New York City; and Pittsburgh), total sales off 10.2 percent. Cars fell 10.7 percent; trucks, 8.6 percent.
- Great Lakes (Chicago, Indianapolis, Detroit, Cincinnati, Milwaukee and Cleveland) — Registrations fell 6.59 percent; cars fell 7.9 percent; trucks 2.6 percent.
- Southeast (Miami; Tampa; Atlanta; Louisville; New Orleans; Charlotte, N.C.; Chattanooga and Memphis, Tenn.; and Norfolk, Va.) — Down 7.59 percent, matching the average decline for the eight regions. Cars fell 8.1 percent; trucks, 6.4 percent.
- Rocky Mountain (Denver, Salt Lake City/Ogden) — Down 3.0 percent; cars down 5.7 percent; trucks up 2.4 percent.
- Plains (Kansas City, Mo.; Kansas City, Kan.; Minneapolis/St. Paul; St. Louis; Sioux Falls, S.D.; and Wichita, Kan.) — Down 9.2 percent; cars down 10.1 percent; trucks down 7.3 percent.

NEXT WEEK: A close look at 46 North American markets and interviews with some of the dealers trying to make a living in them.

Teed off at Toyota, Trevino tees it up for Cadillac

By Phil Frame
AUTOMOTIVE NEWS STAFF REPORTER

KEY BISCAYNE, Fla. — After six years, Lee Trevino is trading in Toyota for Cadillac.

Cadillac announced last week it had signed Trevino as the 12th Cadillac-sponsored golfer on the PGA Senior Tour.

Trevino had been sponsored by Toyota since 1984, but said he allowed his contract to expire in December after a dispute with Robert McCurry, executive vice president of Toyota Motor Sales U.S.A. Inc.

"He (McCurry) put a friend of his in to manage my contract and that guy was supposed to get 15 percent," Trevino said. "About two years into the contract, the two guys (McCurry and the manager) had a falling out. They weren't even talking to each other."

Trevino said he tried to buy out the manager, but the two couldn't agree on a figure. Trevino said he sought help from McCurry, who supposedly agreed to intercede.

When Trevino's attorney contacted McCurry some time later, McCurry denied offering to get involved, Trevino said.

"Then I read somewhere that he (McCurry) said my leaving took him by surprise," Trevino said. "I left because of him."

Golfer Lee Trevino showed off his new colors for Cadillac last week.

James Olson, Toyota public relations director, said: "We don't intend to get in a shouting match with Lee. We wish him well, and that's life. He's moved to Cadillac and that's it."

McCurry was unavailable for comment.

Trevino said he went to Cadillac because of the company's staunch support of the Senior Tour and also because it is a domestic auto company.

Trevino said he frequently received hate mail from people who opposed his work for a Japanese company.

"I think I can play in Michigan now without people throwing things at me," Trevino said. "This is another day, another year, a new career. I hope to work with Cadillac for many years."

Peter R. Gerosa, general sales manager, and Peter Levin, director of advertising for Cadillac, said they were ecstatic about the idea of getting Trevino.

Cadillac announced Trevino's signing here on the eve of the Royal Caribbean Classic, the first stop of the 1991 Senior Tour and the first of 15 tournaments in the Cadillac Senior PGA Tour Series.

Trevino was signed to a five-year contract, with Cadillac retaining the option on the final two years, Gerosa said.

Gerosa would not disclose how much Cadillac will pay Trevino, but sources familiar with the contract put it at $1 million per year.

Trevino's contract calls for him mainly to play golf, although there are endorsement, appearance and advertising components of the pact, and he must wear Cadillac shirts while playing.

Gerosa and Levin said Trevino probably will play in at least 10 of the 15 Cadillac tour events this year. There are two or three appearances they would like Trevino to make and two television commercials will be shot.

INCENTIVE WATCH
CUSTOMER INCENTIVES

	Rebates	Expiration Date
Chrysler Corp. (1989-90)		
Chrysler	$500-2,000	3/31
Dodge cars	$700-1,500	3/31
Dodge trucks	$500-2,500	3/31
Eagle	$700-1,500	3/31
Jeep	$500-2,000	3/31
Plymouth	$700-1,000	3/31
All minivans	$1,000	3/31
Finance rates in lieu of rebate start at 5.9 percent.		
Chrysler Corp. (1991)		
Chrysler	$500-1,000	3/31
Dodge cars	$500-1,000	3/31
Dodge truck	$300-1,500	3/31
Eagle	$400-700	3/31
Jeep	$700	3/31
Plymouth	$400-1,000	3/31
All minivans	$500	3/31
Finance rates in lieu of rebate start at 5.9 percent.		
Ford Motor Co. (1990)		
Ford Festiva	$700	2/28
Ranger	$1,500	2/28
All Lincoln	$1,500	2/28
Ford Motor Co. (1991)		
Ford Escort, Festiva	$500	2/28
Ranger	$1,000	2/28
Mercury Tracer	$500	2/28
Grand Marquis	$1,000	2/28
Finance rate, in lieu of rebate, starts at 7.9 percent for 48 months or less.		
General Motors (1990)		
Buick Reatta*	$2,000	4/7
Other Buick*	$250-1,000	4/7
Cadillac	$1,200	4/7
Chevrolet Geo	$300-800	4/7
Other cars	$400-750	4/7
Trucks	$500-1,500	4/7
GMC	$500-1,500	4/7
Oldsmobile	$750-1,250	4/7
Pontiac Bonneville	$400-1,000	4/7
*Based on option package selected All makes except Cadillac offer cut-rate financing in lieu of rebates.		
General Motors (1991)		
Buick Reatta	$2,000*	4/7
Other Buick	$250-1,000*	4/7
Cadillac Brougham	$1,500	3/31
Chevrolet Geo	$300-800	4/7
Other cars	$400-750	4/7
Trucks	$500-1,000	4/7
GMC	$500-1,000	4/7
Oldsmobile	$500-1,000	4/7
Pontiac	$400-750	4/7
*Based on option package selected		
Hyundai (1991)	$500-1,575	4/3
Mazda (1990)		
Cars	$750-1,500	2/28
Trucks	$1,000-1,250 plus free trim package	2/28
MPV	$886-1,246 discount on option packages	2/28
Subaru		
Justy (1990-91)	$500	2/12
Loyale (1991)	$300-$1,050	2/12
Toyota (1991)		
Celica GT, 4Runner	$800 discount on option packages	10/1

INCENTIVE WATCH
DEALER INCENTIVES

	Rebate	Expiration Date
Chrysler Corp. (1990)		
Dodge Ram D-W, Club wagon, Ramcharger	$1,000	3/31
Jeep	$400-3,000	3/31
Chrysler Corp. (1991)		
Colt, Summit	$400-700	3/31
Dodge Trucks	$1,000	3/31
Jeep	$400-3,000	3/31
Ford Motor Co. (1990)		
Ford Taurus SHO	$3,000	2/28
Other cars	$800-1,500	2/28
Ford Bronco	$2,000	2/28
Other trucks	$900-1,100	2/28
Mercury Topaz	$800	2/28
Sable	$1,100	2/28
Cougar	$1,200	2/28
Grand Marquis	$1,500	2/28
All Lincoln	$2,000	2/28
Ford Motor Co. (1991)		
Ford Taurus SHO	$1,000	2/28
Crown Victoria	$750	2/28
Other cars	$100-700, based on sales	2/28
Ford trucks	$100-700, based on sales	2/28
Mercury Topaz, Cougar, Sable	$100-700, based on sales	2/28
General Motors (1990-91)		
Corvette	$3,000	2/4
Chevrolet C1500	$500	4/7
Acura (1990-91)		
Integra	$300	4/2
Honda (1990-91)		
Accord	$300	3/31
Hyundai (1990)		
Excel	$1,000-1,500	4/3
Sonata	$2,000	4/3
Hyundai (1991)		
Sonata	$100-500, based on sales	4/3
Isuzu		
Impulse (1990)	$1,500	2/15
Trooper (90-91)	$1,300-1,700, quota	3/31
Pickup (1991)	$600-1,500, quota	3/31
Mitsubishi (1990-91)		
Cars	0-$2,000, quota	2/28
Trucks	0-$1,500, quota	2/28
Nissan (1990)		
Pathfinder	$1,500	4/2
Nissan (1990-91)		
Stanza	0-$1,500, quota	4/2
Pickups	$1,200	4/2
Peugeot (1989)		
405	$2,500-3,500	None
Subaru		
XT (1989-91)	$2,000	2/12
Legacy (1990-91)	$700-2,000	2/12
Loyale (1990)	$800-1,500	2/12
Suzuki (1990)		
Swift	$400-700	2/4
Sidekick	$1,000-1,500	2/4
Suzuki (1991)		
Swift	$400-500	2/4
Sidekick	$500	2/4
Toyota (1989-91)		
Corolla	$300-700, quota	2/4
Camry	$500-900, quota	2/4
Pickup	$200-900, quota	2/4
Volkswagen (1990)		
Cars	$500-1,500	None

Chrysler juggles incentive offers

Ford extends Lincoln program; Jaguar drops $5,000 bounty

By Francis J. Gawronski
AUTOMOTIVE NEWS STAFF REPORTER

Chrysler Corp. has revised and extended its dealer rebate program and has sweetened cash payments on some vehicles in its consumer program that expires March 31.

In the dealer program, which has been extended through March 31, the company announced payments of $400 on the 1991 Eagle Summit and Dodge/Plymouth Colt three-door base models and $700 on the Summit three- and four-door ES and Colt GL.

Dealer rebates on 1990 and 1991 trucks are $1,000 on the Dodge Ram D-W Club Wagon and Ramcharger and $400 on all Jeep Cherokees and Wranglers.

The Jeep Grand Wagoneer model now carries a dealer rebate of $3,000.

Dealers also can choose either a $1,000 cash payback or the existing consumer rebate on the 1991 Dodge Dakota, Ram van and wagon and Jeep Comanche.

In its consumer rebates, Chrysler increased the payment to $1,000 from $500 on the 1991 Dodge Spirit; Plymouth Acclaim; and Chrysler Imperial, New Yorker Fifth Avenue and LeBaron sedan, coupe and convertible.

The automaker also increased the rebate to $700 from $400 on the 1991 Eagle Talon and Plymouth Laser and added the Dodge Shadow convertible to the incentive list with a $500 payment. Chrysler Corp. also adjusted its lowest alternative interest rate to 5.9 percent from 7.9 percent for one- to 24-month contracts.

Ford Motor Co. has extended through Feb. 28 the $2,000 cash rebate to dealers and the $1,500 payment to consumers on all 1990 Lincolns.

Jaguar Cars Inc. said it has discontinued paying owners of 1988 Jaguars $5,000 on the purchase of 1990 or 1991 models.

CUTBACKS

FROM PAGE 1

"Everybody must watch inventories. Dealers are nervous about the future, and they're reticent to order. The Middle East has caused even the best guys to cut back."

Indeed, the current round of cuts has been heavy with symbolism:

- Japan's Honda Motor Co., maker of the Accord, the best-selling car in the United States for two consecutive years, said last week it would trim output in Japan and Marysville, Ohio by 25,000 units in the first quarter. The cuts, equivalent to about 3 percent of 1990 U.S. sales, are Honda's first ever.
- Chrysler Corp. will idle its minivan plant in Windsor, Ontario, the week of Feb. 18, union officials said last week. The shutdown will mark the first time that slow sales have stopped the plant since it began making Dodge Caravans and Plymouth Voyagers in 1984.
- And Britain's Rolls-Royce Motor Car Co. Ltd., a company widely viewed to be recession-proof, said it will cut 340 jobs at its plant in Crewe, England, and "adjust" production accordingly.

Honda read U.S. signs

Despite mounting evidence in the fourth quarter of a downturn in the economy, most carmakers declined to announce steep production adjustments until the likely effects of the Persian Gulf war became more apparent. But the startling pace of the downturn in the U.S. market during the first 20 days of January provided a sharp enough focus for Honda to react.

"It's a very urgent adjustment" to changes in the U.S. market, Honda spokesman Shinichi Tanaka said in Tokyo of his company's cutback. "We have been affected the least so far, but we worry that demand was soft even before the Gulf war. Now, things can only get worse."

Honda's U.S. sales were off 5.3 percent in the first 20 days of the year. Sales rose 9.6 percent in the first 10 days, but slid 15.9 percent in the next 10-day period, marking the spillover from the outbreak of hostilities in the Persian Gulf.

Honda is the only Japanese carmaker so far to change production plans, but Mitsubishi Motors Corp. and Nissan Motor Co. Ltd. have indicated they may be quick to follow suit.

And Toyota Motor Corp., while not talking about a production cutback, announced plans to reduce management costs by 10 percent for the rest of the company's fiscal year, which ends June 30.

The automaker, Japan's biggest, listed the overall downturn in the world economy, the effects of the war and the general slowdown in the American market as factors.

Japanese prepare to act

Toyota's U.S. sales declined 27.1 percent, from 24,820 to 16,079, for the second 10 days of January.

Mitsubishi says it is "considering" revising downward by 5 percent its earlier forecast for exports and overseas production. Production for overseas markets came to 1.32 million in 1990, and Mitsubishi had originally projected a 5 percent increase this year, to 1.38 million.

Nissan Motor Co. also says it is considering a revision of its forecast, but has not decided on any figure. It has not denied a Japanese press report that it is considering a cut of at least 60,000 units, or about 2.6 percent of current production, in the fiscal year that starts April 1.

Mazda Motor Corp. says the war is likely to have some effect on exports both to the Gulf region and to the North American market, but is holding to its forecast of a 2.7 percent rise in output, to 1.46 million units.

Even without the war's impact to consider, many analysts say that Japan's carmakers have every reason to cut back this year.

Ben Moyer, who follows the industry for Merrill Lynch Securities in Tokyo, expects Japanese production to fall 2 to 3 percent this year, to about 7.78 million units.

That estimate, he says, does not include the impact of the war on car sales. Rather, it is a projection of the current flat sales pace in Japan, a drop in exports and higher than usual inventories, which Moyer estimates increased 100,000 units last year.

The total Japanese market, including minicars (under 660 cc) was up 7.4 percent last year to 7.8 million units. But many analysts are anticipating a drop of at least 2 percent this year.

Europe takes major steps

Meanwhile, amid early estimates that January sales in Europe fell 25 percent from a year earlier, virtually every European carmaker announced significant production cuts last week.

Most analysts expect sales in the 17-nation European market to fall about 4 percent this year. Sales in Europe last year were fractionally below 1989's record volume, but have fallen for five straight months.

Analysts point out that continuing strong sales in Germany, Europe's biggest single market, skew the 17-nation total to the strong side, thereby masking the fact that some countries are off 15 to 25 percent from last year.

Ford of Europe said last week that it will cut production by 45,000 units at plants in Britain, Belgium, Portugal and Spain between now and April. Included in the cutbacks will be a one-week shutdown of the plant that makes the Fiesta and the new Escort, introduced only six months ago.

"European sales are being held up only by the German market, and signs of weakness in the French and Italian markets are mounting," Ford of Europe President Lou Lataif said last week. Fully half of Ford's 90,000 current orders for the Escort are from Germany, he said.

Elsewhere, Italy's Fiat Auto S.p.A. announced that it will lay off nearly 70,000 workers and shut every plant but one during the week of Feb. 11-17. The shutdown will result in a production cut of about 40,000 units.

More makers pinched

France's Automobiles Peugeot announced a 10 percent reduction in output during February and March and said temporary layoffs will affect 80 percent of Peugeot's work force in France.

The cuts, which will idle three plants for several days, will result in a reduction of 17,000 vehicles. Depending upon demand Peugeot officials said further reductions may be ordered later in the year.

Sweden's Volvo Car Corp. has announced that it will reduce the work force at six Swedish car plants by an additional 1,550 jobs. Volvo had earlier announced plans to cut its work force by 4,500-5,000 this year through attrition.

Volvo production fell from 414,000 in 1989 to 376,000 last year, and a further reduction is expected in the first quarter of 1991.

Saab Automobile AB last week also announced plans to cut out about 2,500 units this spring through a series of non-production days. The Trollhattan assembly plant in Sweden will be closed seven days, and the Malmo plant will be down six days.

Swedish engine and transmission plants also will be closed for seven days. Saab production last year totaled 89,000 units, down from 103,000 the year before.

Automotive News Staff Reporter Kathy Jackson in Detroit and Staff Correspondent Daniel Ward in London contributed to this report.

Papers show Ford was aware of faulty gauge

SAN JOSE, Calif. — Ford Motor Co. knew about faulty gauges before a man was injured when his car ran out of gas, a newspaper reported.

Papers filed last week in a California court show that Ford knew about the faulty gauges in 1984, three years before Daniel Spencer, 19, had the accident that cost him his leg, the *San Jose Mercury News* said.

Spencer said in June 1987, he ran out of gas and was hit by a drunk motorcyclist as he tried to push his Ford Tempo off the road.

Spencer said his gauge read a quarter-tank full when he ran out of gas. Ford documents said about a million cars produced in 1983 and 1984 had the defect, which causes the gas tank to give false readings. Spencer won a seven-figure, out-of-court settlement in November, mostly from Ford and Tandem Computers Inc.

Ford said the part was used in Mustangs, LTDs, Escorts, Tempos and Thunderbirds. Ford said it did not believe a recall was warranted because there was no serious risk to drivers.

— The Associated Press

Price tag rises for Nissan's plan in Mexico

By Stephen Downer
STAFF CORRESPONDENT

MEXICO CITY — Nissan Mexicana's tab for its ambitious expansion over the next five years is now estimated at $1.2 billion.

A year ago, the company announced it would spend $1 billion on building and equipping new plants and on modernizing existing facilities.

But because of inflation and currency fluctuations, "the final figure may be 20 percent more than that," said company President Shoichi Amemiya in an interview.

Much of Nissan's money will be spent on a new-car assembly plant in Aguascalientes, 300 miles north of Mexico City. Building started last year and the plant is expected to be commercially productive by October 1992. Plans call for it to ship 8,000 vehicles a month to Japan, the United States and Latin America by late 1993 and 16,000 a month by 1995.

Nissan also will expand the capacity of its engine, stamping and transaxle plants and aluminum foundry in Aguascalientes. It also will double the capacity of its grey iron foundry in Lerma and enlarge its domestic market assembly plant in Cuernavaca.

"We want to be a fully integrated manufacturing company," Amemiya said. He said that the company plans to increase the staff working on vehicle research and development and design in Mexico from 260 to 400 within four years.

But he emphasized that the car Nissan Mexicana will produce in Aguascalientes will be basically a vehicle designed and produced in Japan. Nissan has not said what the vehicle will be, other than describing it as a "popular entry vehicle" with a four-cylinder engine.

It is expected to be the current model Sentra.

Amemiya expressed concern about the possibility of a free-trade agreement between Mexico and the United States. Government negotiators are discussing the terms of such a deal.

"Industries keep innovating, and what we sell today could be obsolete tomorrow," he said. "Mexico has no innovative capacity to renew its products" as quickly as Japanese, European and U.S. automakers do.

He said he doubted whether a free-trade deal "will help Mexico to expand investment and build employment, and I doubt very much that American companies will want to come in."

Amemiya said that dealers in Canada who have started importing Nissan's B12 model, known as the Tsuru 2 in Mexico and the Sentra Classic in Canada, asked for shipments to be increased by 30 percent. Original plans called for Canada to get 5,000 Sentra Classics this year.

The boxy subcompact, which has been discontinued in the United States, is being sold in Canada alongside Nissan's new Sentra.

"Due to our production capacity problems, we can't ship them more," Amemiya said.

Last year, Nissan Mexicana produced 138,200 vehicles. This year, according to Amemiya, the company hopes to produce 150,000 vehicles.

PRODUCTION

U.S. CAR

	Week Ended Feb. 2, 1991	Week Ended Jan. 26, 1991	Jan. Est.	Jan. 1 to Feb. 2, 1991	Jan. 1 to Feb. 3, 1990
Horizon	0	0	0	0	4,415
Sundance	1,800	0	1,440	1,800	3,446
Acclaim	2,500	2,261	10,303	11,025	5,191
Total Plymouth	**4,300**	**2,261**	**11,743**	**12,825**	**13,052**
LeBaron A	0	0	0	0	979
LeBaron J	1,500	1,022	2,222	2,522	0
N. Yorker C-Class	200	179	1,213	1,295	1,495
Fifth Avenue	700	563	3,372	3,618	1,695
Imperial	150	159	955	1,025	1,460
Total Chrysler	**2,550**	**1,923**	**7,762**	**8,460**	**5,629**
Omni	0	0	0	0	4,138
Daytona	600	494	974	1,094	0
Shadow	2,600	0	2,080	2,600	3,950
Dynasty	3,700	3,081	14,449	15,596	7,885
Spirit	2,300	1,667	9,614	10,441	7,422
Total Dodge	**9,200**	**5,242**	**27,117**	**29,731**	**23,395**
CHRYSLER CORP.	**16,050**	**9,426**	**46,622**	**51,016**	**42,076**
Escort	0	4,310	12,329	12,898	8,105
Mustang	3,348	0	4,430	5,538	10,296
Tempo	0	2,113	6,769	7,166	9,073
Taurus	8,220	3,147	21,909	24,546	33,492
Thunderbird	3,502	0	3,877	4,846	6,856
Total Ford Div.	**15,070**	**9,570**	**49,313**	**54,994**	**67,822**
Topaz	0	975	2,831	2,962	3,221
Cougar	2,123	0	3,323	4,154	2,947
Sable	1,998	1,045	5,991	6,655	5,131
Total Mercury	**4,121**	**2,020**	**12,146**	**13,771**	**11,299**
Continental	1,210	959	4,936	5,307	4,725
Mark VII	210	172	864	929	2,339
Town Car	2,845	2,281	11,636	12,509	14,173
Total Lincoln	**4,265**	**3,412**	**17,436**	**18,745**	**21,237**
Total L-M Div.	**8,386**	**5,432**	**29,581**	**32,516**	**32,536**
FORD MOTOR CO.	**23,456**	**15,002**	**78,894**	**87,510**	**100,358**
Skylark/Somerset	2,500	2,099	10,273	11,093	4,748
Century	0	1,502	3,216	3,216	3,434
Riviera	297	277	719	778	1,393
Electra/Park Ave.	3,039	2,343	8,942	9,866	7,805
LeSabre (fwd)	4,186	3,147	16,385	17,697	8,678
LeSabre (rwd)	0	0	0	0	360
Reatta	41	0	33	41	716
Total Buick	**10,063**	**9,368**	**39,568**	**42,691**	**27,334**
Eldorado	375	350	888	963	1,208
Seville	751	718	1,795	1,945	1,569
Brougham (rwd)	243	311	1,917	2,081	2,882
DeVille (fwd)	3,200	2,355	12,653	13,659	9,356
Allante	64	51	261	282	323
Total Cadillac	**4,633**	**3,785**	**17,515**	**18,930**	**15,338**
Cavalier	5,394	3,629	22,523	24,234	14,933
Camaro	0	1,801	4,029	4,029	0
Corsica/Beretta	6,160	4,675	19,662	20,854	16,062
Caprice	3,355	2,675	12,065	12,899	8,119
Corvette	488	384	1,957	2,112	1,120
Total Chevrolet	**15,397**	**13,364**	**60,226**	**64,168**	**40,234**
Calais	1,820	1,446	7,299	7,855	5,143
Cutlass Ciera	0	1,467	3,333	3,333	4,250
Cutlass Supreme	2,158	1,560	8,573	9,254	3,605
Toronado	173	171	407	442	1,423
88 (fwd)	2,082	1,615	7,559	8,219	6,963
88 (rwd)	0	0	0	0	353
98	2,000	1,462	7,575	8,181	3,401
Total Oldsmobile	**8,233**	**7,721**	**34,736**	**37,284**	**25,148**
Sunbird	2,396	1,624	9,727	10,478	6,163
Grand Am	4,800	3,804	12,436	13,396	9,175
Firebird	0	453	1,003	1,003	0
Grand Prix	3,230	2,502	8,236	8,882	3,625
Pontiac 6000	0	1,026	2,247	2,247	2,648
Bonneville	1,220	928	3,802	4,230	6,010
Total Pontiac	**11,646**	**10,337**	**37,451**	**40,236**	**27,621**
Total Saturn*	**640**	**640**	**2,728**	**2,960**	**0**
GENERAL MOTORS	**50,612**	**45,215**	**192,223**	**206,269**	**135,575**
DIAMOND-STAR	**3,128**	**2,444**	**13,105**	**14,150**	**12,167**
Civic	1,725	1,725	7,088	7,606	13,419
Accord	6,556	7,180	29,455	31,572	27,130
HONDA	**8,281**	**8,905**	**36,543**	**39,178**	**40,549**
MAZDA†	**3,131**	**22**	**11,336**	**12,415**	**15,972**
NISSAN	**2,890**	**2,899**	**13,078**	**14,037**	**11,111**
Corolla	2,100	2,081	8,672	9,339	9,526
Geo Prizm/Nova	2,100	2,129	8,790	9,462	9,255
KUMMI	**4,200**	**4,210**	**17,463**	**18,801**	**18,781**
SUBARU-ISUZU	**1,250**	**1,382**	**4,911**	**5,246**	**2,800**
TOYOTA	**4,400**	**4,410**	**19,287**	**20,697**	**20,630**
TOTAL BIG 3	**90,118**	**69,643**	**317,740**	**344,795**	**278,109**
TOTAL TRANSPLANT	**27,280**	**24,292**	**115,723**	**124,524**	**122,019**
TOTAL CARS, U.S.	**117,398**	**93,925**	**433,463**	**469,319**	**400,128**
TOTAL CARS, CANADA	**19,242**	**18,558**	**79,564**	**84,863**	**70,296**
U.S., CANADA CARS	**136,640**	**112,483**	**513,025**	**554,182**	**470,424**
U.S., CANADA CARS AND TRUCKS	**211,871**	**179,062**	**787,919**	**863,047**	**811,728**

CANADIAN CAR

	Week Ended Feb. 2, 1991	Week Ended Jan. 26, 1991	Jan. Est.	Jan. 1 to Feb. 2, 1991	Jan. 1 to Feb. 3, 1990
Monaco	0	0	0	0	1,894
Premier	0	0	0	0	401
CHRYSLER CORP.	**0**	**0**	**0**	**0**	**2,295**
Tempo	0	0	5,021	5,373	11,046
Topaz	0	0	1,493	1,638	3,110
Crown Victoria	2,562	1,610	4,599	5,111	6,969
Grand Marquis	0	0	0	0	7,293
FORD MOTOR CO.	**2,562**	**1,610**	**11,113**	**12,122**	**28,418**
Celebrity	0	0	0	0	1,058
Cutlass Ciera	1,780	1,780	7,364	7,862	5,875
Lumina	4,695	4,664	18,150	19,089	12,248
Regal	3,305	3,418	12,446	13,107	2,287
GENERAL MOTORS	**9,780**	**9,862**	**37,960**	**40,058**	**21,468**
CAMI	**2,500**	**2,500**	**11,029**	**11,847**	**0**
HONDA	**2,156**	**2,161**	**9,121**	**9,799**	**10,541**
HYUNDAI	**720**	**895**	**3,799**	**4,010**	**1,550**
TOYOTA	**1,350**	**1,342**	**5,787**	**6,218**	**5,060**
VOLVO	**180**	**180**	**755**	**809**	**864**
TOTAL CARS, CANADA	**19,242**	**18,558**	**79,564**	**84,863**	**70,296**

U.S. TRUCK

Caravan	2,200	1,757	8,849	9,574	11,393
Dakota	0	0	2,893	3,109	3,209
Caravan C/V	50	94	267	278	667
Ram pickups	0	0	2,908	3,127	3,867
Total Dodge	**2,250**	**1,851**	**14,916**	**16,088**	**19,136**
Cherokee	3,900	2,744	5,864	6,644	12,434
Comanche	300	241	481	541	546
Grand Wagoneer	0	0	0	0	260
Wagoneer	100	81	161	181	200
Total Jeep	**4,300**	**3,066**	**6,506**	**7,366**	**13,440**
Voyager	1,700	1,346	7,124	7,660	10,395
Town & Country	50	23	131	150	325
Total C-P Div.	**1,750**	**1,369**	**7,255**	**7,810**	**10,720**
CHRYSLER CORP.	**8,300**	**6,286**	**28,677**	**31,264**	**43,296**
Aerostar	0	3,240	9,150	9,617	11,200
Bronco	792	0	1,091	1,364	4,382
Bronco II/Explorer	5,533	4,104	20,928	22,577	9,786
Navajo	337	318	1,576	1,687	0
Econoline	4,017	2,932	7,671	8,856	10,733
Mediums/Heavies	1,123	932	3,468	3,832	5,144
Light trucks	6,074	4,716	17,562	19,869	35,982
Ranger	5,165	3,143	19,095	20,957	20,226
Total Ford Div.	**23,041**	**19,385**	**80,542**	**88,759**	**97,453**
FORD MOTOR CO.	**23,041**	**19,385**	**80,542**	**88,759**	**97,453**
Astro	0	0	5,625	5,878	5,416
Blazer	207	142	503	544	950
Lumina APV	1,528	1,122	3,607	3,913	7,483
Mediums/Heavies	258	177	927	1,000	1,421
P-Model	0	254	631	631	1,596
Pickups	6,308	5,433	17,067	18,336	17,112
S-10	2,519	5,147	21,688	22,877	21,140
S-10 Blazer	195	710	3,079	3,253	4,437
Sportsvan/Van	0	508	1,429	1,429	0
Suburban	720	510	1,792	1,936	2,710
Total Chevrolet	**11,735**	**14,003**	**56,348**	**59,797**	**62,265**
Jimmy	74	74	200	215	348
Mediums/Heavies	489	257	1,559	1,706	1,490
P-Model	0	128	209	209	178
Pickups	2,488	1,464	5,549	6,051	5,467
S-15/Sonoma	409	1,168	5,140	5,384	5,165
S-15 Jimmy	432	409	1,995	2,137	1,441
Safari	0	0	2,387	2,503	1,931
Suburban	404	354	1,056	1,137	1,583
Vandura/Rally Vans	0	362	531	531	0
Total GMC	**4,296**	**4,216**	**18,626**	**19,873**	**17,603**
Silhouette	443	289	984	1,073	2,907
Bravada	559	451	1,973	2,121	0
Total Oldsmobile	**1,002**	**740**	**2,958**	**3,194**	**2,907**
Pontiac Trans Sport	**758**	**614**	**1,906**	**2,060**	**6,213**
GENERAL MOTORS	**17,791**	**19,573**	**79,842**	**84,924**	**88,988**
NAVISTAR	**1,645**	**1,329**	**5,918**	**6,247**	**7,169**
NISSAN	**2,770**	**2,756**	**12,513**	**13,445**	**14,310**
SUBARU-ISUZU	**1,097**	**1,539**	**4,808**	**5,087**	**2,800**
AM GENERAL	**400**	**400**	**1,800**	**2,050**	**2,250**
MISCELLANEOUS	**2,650**	**2,650**	**12,476**	**13,600**	**15,000**
TOTAL TRUCKS, U.S.	**57,894**	**53,900**	**226,850**	**245,376**	**271,266**

CANADIAN TRUCK

Caravan	3,000	2,604	12,338	13,272	15,846
Caravan C/V	80	67	363	391	1,000
Ram Wagon	550	0	440	550	1,232
Ram Van	1,150	0	920	1,150	3,028
Total Dodge	**4,780**	**2,671**	**14,061**	**15,363**	**21,166**
Voyager	1,900	1,457	9,034	9,681	13,227
Total Plymouth	**1,900**	**1,457**	**9,034**	**9,681**	**13,227**
Wrangler	1,500	0	3,515	4,007	0
Total Jeep	**1,500**	**0**	**3,515**	**4,007**	**0**
CHRYSLER CORP.	**8,180**	**4,128**	**26,610**	**29,051**	**34,393**
FORD MTR. (R. Iris.)	**2,967**	**2,894**	**6,685**	**7,533**	**11,339**
Light trucks	3,238	3,083	12,977	13,887	16,297
Vans	662	612	1,142	1,274	2
Total Chevrolet	**3,900**	**3,695**	**14,118**	**15,161**	**16,299**
Light trucks	1,012	1,220	5,010	5,419	7,104
Vans	313	342	592	655	1
Total GMC	**1,325**	**1,562**	**5,602**	**6,074**	**7,105**
GENERAL MOTORS	**5,225**	**5,257**	**19,720**	**21,235**	**23,404**
CAMI	**1,900**	**1,024**	**4,676**	**5,006**	**0**
NAVISTAR	**165**	**167**	**631**	**664**	**962**
TOTAL TRKS., CANADA	**17,537**	**13,470**	**52,243**	**63,489**	**70,038**
U.S., CANADA TRKS.	**75,231**	**67,379**	**284,892**	**308,865**	**341,304**

Monthly estimates may contain error of one or two units due to rounding.
*Estimate †Total includes MX-6, 626, and Ford Probe
Miscellaneous includes estimates for Mack, Volvo-White, Kenworth, Peterbilt, Freightliner, Mercedes-Benz.

Big 3 shut 19 plants as sales totter

By Karen Detkowski
AUTOMOTIVE NEWS STATISTICIAN

U.S. makers will idle 17 more plants this week, bringing to 19 the number closed as the industry contends with slow sales caused by the recession and the Persian Gulf war.

U.S. car manufacturers expected to build 117,398 units last week, 24.99 percent above the prior four-day work week and 9.25 percent above last year.

So far this year, 469,319 cars have been built in the United States, 17.29 percent above the year-ago total.

Targeted truck output of 57,694 was 7.02 percent above the previous week but was 19.72 percent below the year-ago week.

Year-to-date, 245,376 trucks have been assembled, 9.54 percent below last year.

General Motors' Kansas City, Kan., car plant and its Tarrytown, N.Y., minivan facility are idle this week. Downtime has been extended through this week at the Van Nuys, Calif., plant.

GM will idle the Pontiac (East) Mich., and the Moraine, Ohio, truck plants today until Feb. 11 and the Fort Wayne, Ind., truck facility until Feb. 18.

GM's Lordstown, Ohio, truck facility will resume output today after a one-week shutdown.

Ford Motor Co.'s Chicago and Dearborn, Mich., car plants are down this week. Truck plants idle this week are Louisville, Ky.; Norfolk, Va.; St. Paul, Minn.; Edison, N.J.; and Wayne, Mich. In addition, the Lorain, Ohio, car and truck lines will be idle this week. All plants will resume output Feb. 11.

Chrysler Corp. will close the St. Louis (No. 1) and the Toledo, Ohio, facilities this week to adjust inventories. Both plants will resume operation Feb. 18.

Honda of America Manufacturing Inc. has cut production at its Marysville, Ohio, plant from 1,550 units per day to 1,500 by reducing overtime.

Canada cars move up 3%

Canadian automakers scheduled 19,242 units last week, 3.69 percent above the prior week's build but 14.04 percent below the year-ago week.

Year-to-date, 84,863 cars have been produced, 20.72 percent above 1990 at this time.

Truckmakers assembled 17,537 units last week, 30.19 percent above the previous week and 8.56 percent above last year.

So far this year, 63,489 trucks have been assembled, 9.35 percent below 1990.

NOTE

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Green hands NADA to Anderson

Torch courtesy of Special Olympics of Michigan. AUTOMOTIVE NEWS/JOE WILSSENS

National Automobile Dealers Association President [illegible]en, left, passes the torch to Frank Anderson Jr. The presidency changes Tuesday in Atlanta, host of the 1996 Summer Olympics.

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State of the nations:
Profiles of 42 dealers in the United States and four in Canada give an indication of which markets are healthy, which are ailing, and how dealers cope. Inside in the City-by-City Section.

Automotive News

February 11, 1991

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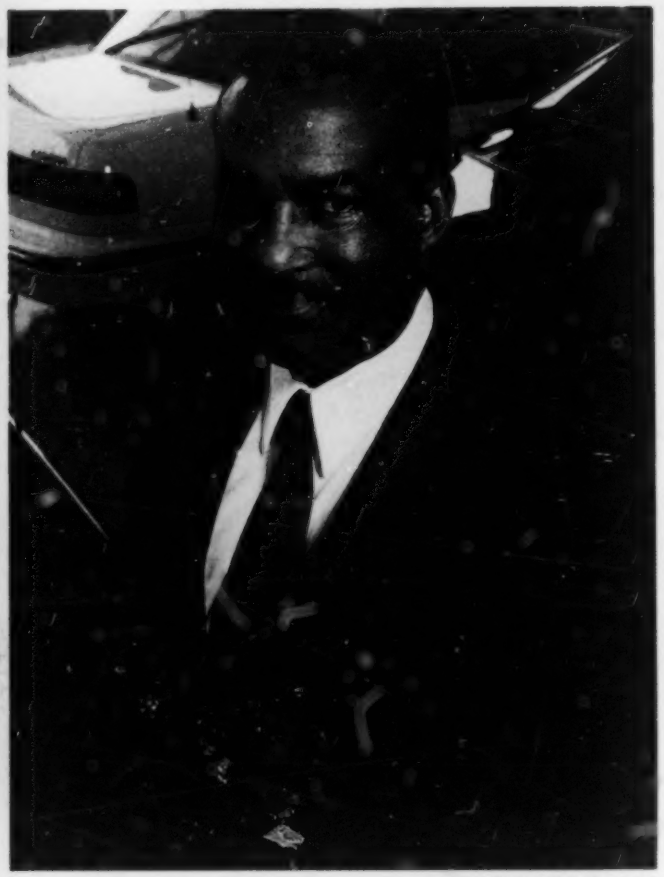


AUTOMOTIVE NEWS/JOE WILSENS

Black dealers face many problems, but have a positive attitude, says Chuck Harrell, owner of a Chevrolet-Oldsmobile dealership in Flat Rock, Mich., and president of the General Motors Minority Dealer Association.

UPHILL BATTLE

Recession tests the mettle of black dealers

By Kathy Jackson, Laura Clark and Arlena Sawyers
AUTOMOTIVE NEWS STAFF REPORTERS

Black car dealers, most of whom face their first economic downturn, are determined to increase their ranks in the tough 1990s.

They are turning to factories and other black dealers for support and seeking elusive import franchises.

Fewer than 100 black dealers were open in 1980. A five-fold increase in the 1980s puts hundreds of them in a position to survive the current recession and emerge as experienced, battle-hardened dealers.

Chuck Harrell, president of the General Motors Minority Dealer Association and owner of Harrell Chevrolet-Oldsmobile in Flat Rock, Mich., said black dealers face many problems but come into the 1990s with a positive attitude.

"Despite the battle (for automotive sales), blacks will move forward."

It will be an uphill battle.

About 65 black dealers went out of business in 1990, roughly 14 percent of all black dealers. That compares to a failure rate of 5 percent for all dealers.

Virgil Anderson, executive director of the National Association of Minority Automobile Dealers, says another 40 black dealers are in serious trouble.

"All of it isn't the economy," Anderson says. "A strong bit of it is lack of expertise in management."

The 1980s saw the first big push by automakers to establish black dealers. The number of black dealers for the Big 3 grew from 87 in 1980 to 408 last year. Most of that growth came from Ford Motor Co., whose ranks of black dealers ballooned from 19 to 245 by the end of last year. But 1990 itself reversed the trend: Chrysler Corp. added two black dealers net, but both Ford Motor Co. and General Motors lost black dealerships.

Anderson estimates that about half of the black dealers are profitable. But business and profits could sour fast.

Says Nathan Conyers, a pioneering black dealer who is president of Conyers-Riverside Ford in Detroit: "Since the last three years have been some of the industry's best sales years, the young black dealer body may find the current downturn a rude awakening."

Still, progress has accelerated for people of color. Some of them got excellent training and financial assistance from the Big 3 car companies, which offer training programs ranging from one to three years.

While the programs are not perfect, they have turned out success stories. Reggie Hubbard, 37, became a Dodge dealer in Charlotte, N.C., in 1986 after more than 10 years with Sears, Roebuck and Co. As an operations manager, he had managed 600 employees.

Hubbard assembled a highly motivated sales team. As a result, he bought out Chrysler's interest in his

see BLACKS, page 118

INSIDE:

- Importers are minority poor, **Page 120**
- Ford leads Big 3, **Page 122**
- GM plans 40% increase by 1993, **Page 122**
- Chrysler looks for entrepreneurs, **Page 122**
- One man's dream becomes a nightmare, **Page 124**

Windy City star

Pontiac caught the eye of the Chicago auto show crowd by rolling out its all-new 1992 Bonneville SSEi, featuring fresh styling and a supercharged 3800 V-6 engine that develops 195 horsepower. For more on the Chicago show, see Pages 10 and 150.

Saab, posting huge loss, shuts prized Malmo plant

By Richard Johnson
AUTOMOTIVE NEWS STAFF REPORTER

FRANKFURT, Germany — Saab Automobile AB, the embattled Swedish automaker that is 50 percent owned by General Motors, confirmed Friday that it will close its $240 million assembly plant in Malmo, Sweden, after only 18 months of operation.

Saab said it will take a 1.4 billion kronor ($255 million) charge against full-year results for the shutdown and other extraordinary costs. The charges contributed to a more than doubling of Saab's 1990 loss, to 4.65 billion kronor (about $852 million), from 2.13 billion kronor ($391 million) in 1989.

Saab said its loss from operations totaled 3.25 billion kroner (about $596 million), meaning that it lost the equivalent of about $6,700 on every car it produced last year.

The results will have a direct impact on GM earnings, already battered by plant shutdowns and slid-

see MALMO, page 152

Jack G. Krenzen began his automotive career in 1952.

Krenzen is Time dealer of the year

ATLANTA — Jack G. Krenzen, a six-franchise dealer in Duluth, Minn., has been named 1991 Time Magazine Quality Dealer of the Year.

He is president of Krenzen Indoor Auto Mall (Cadillac-Pontiac-Honda-Nissan-Lincoln-Mercury) and will serve as official spokesman during

see DEALERS, page 151

GEO LOGIC: *Rebadged imports boost Chevrolet sales, but will buyers later join GM faithful?*

By Arlena Sawyers
AUTOMOTIVE NEWS STAFF REPORTER

Tina Case believes in "buying American."

So when she was ready for her first new car, she walked into a nearby Chevrolet dealership and drove out in a 1991 Geo Metro, a subcompact that Chevrolet gets from Suzuki.

Not exactly American, she admits. But close enough.

"I wanted something American, and I believe in Chevrolet," said Case, a 17-year-old sales associate from Bakersfield, Calif. "Metro isn't exactly American, but at least it's sold by an American company. That makes me feel better."

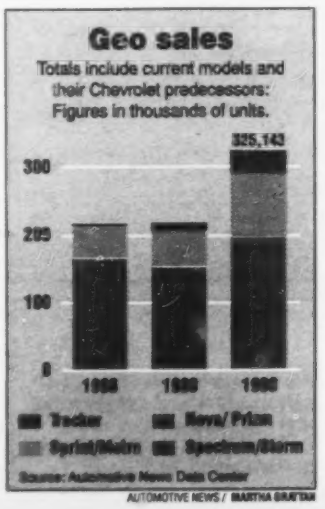
Case has a stronger buy-American ethic than most Geo owners. An informal survey of dozens of Geo owners suggests that the increasingly popular Geo line of three subcompacts and a sport-utility has captured one-time buyers for General Motors, and that the buyers of the Japanese-manufactured cars are more likely to return to other imports than to domestic GM cars.

Automotive News talked to Geo owners across the United States to examine how the line of small vehicles that are sold in Chevrolet dealerships became a key player in the import-dominated subcompact economy market.

In a January wracked by war and deep recession, Geo slightly outperformed the market. Geo's January sales slipped 18.18 percent from January 1990. Industrywide, cars and light-truck sales dropped 27.71 percent.

In 1990, Geo shot past Mazda Motor of America Inc. to become the fourth best-selling import passenger-car line behind Toyota, Honda and Nissan, with 290,785 cars sold. (Mazda remains fourth in combined car and light-truck sales.) Geo's year-to-year gain of

see GEO, page 128



AUTOMOTIVE NEWS / MARTHA GRATTAN

Toyota admits its U.S. exports may be trimmed

By Mary Ann Maskery
AUTOMOTIVE NEWS STAFF REPORTER

TOKYO — Toyota Motor Corp. conceded Friday it may have to join other Japanese carmakers in trimming U.S. exports over the next few months because of weakening car sales there.

Sales of domestically-built and imported cars and light trucks plummetted 27.8 percent in the United States last month as consumers, skittish over the Gulf war and the economic outlook, shunned auto showrooms. Toyota's U.S. sales were off 13.4 percent.

At a press conference here to announce earnings for the fiscal first half ended Dec. 31, Toyota officials said a "small adjustment" to U.S. shipments over the next few months is being considered in view of market weakness. Any cuts would not affect sales or production plans for the year, they said.

Honda Motor Co. and Mazda Motor Corp. already had announced cuts in U.S. shipments. Honda said Jan. 29 that it would cut U.S. and Japanese production of the Accord by 25,000 units in February and March, while Mazda said last week it will cut exports to the United States by 8,000 units this month and next.

The Mazda cutback amounts to about 15 percent of its normal shipments to the United States in a two-month period, but the carmaker said it expects the Japanese market to expand enough this year to absorb the additional units.

Meanwhile, Toyota said its net income slipped 0.7 percent and operating earnings fell 15.6 percent in the fiscal first half because of increased spending on research and development and personnel.

The automaker reported that net income slipped to 156.2 billion yen ($1.2 billion) and income from operations fell to 200 billion yen ($1.5 billion) from a year earlier despite a 16.6 percent rise in sales, to 4.4 trillion yen ($33.8 billion.)

Toyota said worldwide unit sales jumped 8.5 percent, to 2 million units, but the cost of sales rose to 3.8 trillion yen from 3.1 trillion.

AUTOMOTIVE NEWS/JOE WILSSENS

Iacocca: "The year ahead is even more uncertain than 1990."

Chrysler stays in black

But 1991 fears overshadow 1990 earnings

By Mary Connelly
AUTOMOTIVE NEWS STAFF REPORTER

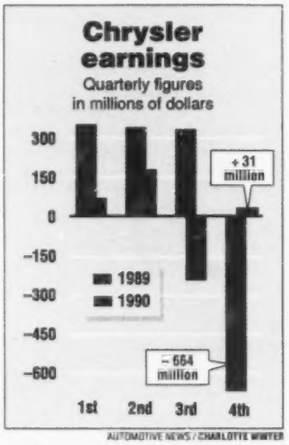
AUBURN HILLS, Mich. — Even as Chairman Lee Iacocca reported last week that Chrysler Corp. eked out a profit in 1990, he raised the specter of "horrendous losses" in the first quarter of 1991, and possibly further into the year.

Thanks largely to a $3 billion cost-cutting program and earnings from Chrysler Financial Corp., Chrysler Corp. reported 1990 net earnings of $68 million, or 30 cents per common share. That compares to 1989 earnings of $359 million, or $1.55 per common share.

Chrysler reported fourth quarter net earnings of $31 million, or 14 cents per common share, compared to a $664 million loss posted in the fourth quarter of 1989. The 1989 results included a $577 million one-time charge for restructuring.

Analysts had expected Chrysler to report a loss in 1990, or at best, to break even. And indeed, Vice Chairman Robert S. Miller Jr. said the corporation would have lost more than $1 billion in 1990 without the $3 billion cost-cutting program begun 18 months ago.

Jerome B. York, vice president and controller, said Chrysler's net loss in automotive operations totaled $7 million in the fourth quarter of 1990 and was $240 million for the full year.



AUTOMOTIVE NEWS / CHARLOTTE WINTER

Chrysler posted a profit because its subsidiary Chrysler Financial Corp. earned $56 million in the fourth quarter of 1990 and $313 million for the entire year.

In addition, Chrysler's bottom line was boosted by an after-tax credit of $63 million in 1990. The

see EARNINGS, page 152

Green, Stempel say teamwork is vital

By Liz Pinto
AUTOMOTIVE NEWS STAFF REPORTER

Car manufacturers and dealers share a common key to success in 1991 — teamwork, according to Robert Stempel, chairman of General Motors, and Ray Green, outgoing president of the National Automobile Dealers Association.

Green offered words of encouragement and optimism to his fellow dealers Saturday in his last speech as NADA president.

In remarks prepared for his address to the opening session of the NADA convention in Atlanta, he said he was proudest of the new dealer/manufacturer relationship forged during his tenure and said "let's hold on to that relationship like never before. . .because I believe it holds the most promise for the future."

Green

He stressed the importance of a fair and equitable franchise agreement giving dealers "equal rights, equal responsibilities and equal opportunities."

Other good news reaped during the past year, according to Green, were GM's, Ford Motor Co.'s and Toyota Motor Sales U.S.A. Inc.'s 100-percent buy-back programs for fleet cars; the 5 percent carryover allowance reinstated by GM and Ford; and the new shared-hub/shared satellite dish agreement among NADA, GM, Chrysler Corp. and Hughes Network Systems.

Green also cited Ford's endorsement of NADA service systems consultants and its move to drop customer rebates as recognizable accomplishments.

Green touted NADA's new voluntary salesperson certification program and NADA's year-long warranty study as examples of good ideas that developed into excellent programs.

He warned the audience about the inevitable push in the coming years for further legislation that would adversely affect the automobile industry.

"But, as we have in the past, NADA will be watching and fighting to keep the government out of our business," Green said.

After further reflection on his year-long presidency, Green said that even though he thought he could do it all, he realized he was leaving "plenty on the plate" for the next president, Raleigh, N.C., dealer Frank Anderson Jr.

"To you dealers here today and throughout the country, my advice is the same as it was when I took office," he said. "Run your own business, play by the rules and be above reproach in all your dealings."

Stempel echoed the theme of teamwork in his keynote address, adding commitment as an additional ingredient in the formula for success in the 1990s.

Stempel

"The contribution of the dealer to a team, like the GM team, is invaluable, and in my mind, we are going to have to work more closely than ever before to get through the months ahead," he said.

He stressed the importance of outstanding products to this success, calling it "GM's highest priority."

Stempel outlined GM's policies to aid dealers' success, highlighting GM's increased interest credit days as one benefit it passed on to dealers.

"On Jan. 16, GM dealers received an additional 60 days of interest rate protection as a result of changes in the prime rate," he said. "We are pleased to announce that on Feb. 16, interest credit days will increase from 25 to 28. We've

see NADA, page 148

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Correction

A story in the Feb. 4 issue should have said that an April 10-11 meeting between Japanese automakers and U.S. parts suppliers is being arranged by the U.S. Department of Commerce and the Japanese Automobile Manufacturers Association, not JAMA and the Motor and Equipment Manufacturers Association.

Volvo picks its new ad agency

By Jim Henry
AUTOMOTIVE NEWS STAFF REPORTER

NEW YORK — Volvo's "monster truck" ad scandal haunted Volvo Cars of North America as it searched for a new ad agency for the first time in more than 20 years.

Volvo's agency review was "a very, very tense one," said Robert Schmetterer, a partner at Messner Vetore Berger Carey Schmetterer, the New York-based agency that won the $40 million account last week.

Though he said the episode was "not at all in the forefront" of the agency's discussions with Volvo, he described the search as "more rigorous than virtually any other comparable experience I've had in the business."

Scali, McCabe, Sloves — Volvo's agency for 23 years — resigned the account after news of the deceptive ad broke last November.

Schmetterer is a Scali, McCabe alumnus, having managed the Volvo account for that agency from 1971 to 1984. He also used to work for Volvo, as market research director from 1967 to 1971. Messner Vetore Berger Carey Schmetterer was founded in September 1986.

The winning agency was one of three finalists in the search, out of close to 50 applicants. Its clients include MCI, *Life* magazine, New Balance shoes and Commodore computers. With Volvo, it will have billings of about $200 million.

Schmetterer said Volvo officials were "a very careful, very, very rational audience. They asked a lot of astute questions." He said the agency "spent enormous amounts of hours" with Volvo.

Volvo spokesman Robert C. Austin said that in choosing a new agency, Volvo paid particular attention to the "reputation for integrity of the people involved."

The monster truck ads, which were filmed in Austin, Texas, showed a truck crushing a line of cars, except for a Volvo 240 station wagon that remained more or less intact.

The Texas attorney general charged last November that Volvo specially reinforced its car and weakened the other cars. Volvo admitted no wrongdoing but pulled the ads, apologized and paid more than $300,000 in investigative fees to settle the attorney general's complaint.

Volvo officials claimed they didn't know the cars had been doctored and blamed the production company that Scali, McCabe hired to shoot the ads, Perretti Productions. A Perretti spokeswoman said last week that co-founder Jim Perretti has been advised by his attorneys not to comment.

Volvo said last November that it would share with the public the results of its internal investigation into the monster truck affair. But last week, it would say only that it has adopted more "checks and balances" in its internal procedure for reviewing ads.

"There are more reviews in the system than there were in the past," spokesman Austin said.

"Realistically, no matter how many checks and balances you build into the system, the system is only as good as the people who are in it."

New Ciera, Century delayed as GM trims its sails

By Phil Frame
AUTOMOTIVE NEWS STAFF REPORTER

The scheduled 1993 calendar year redesign of the Oldsmobile Cutlass Ciera and Buick Century has been delayed at least a year as part of General Motors' grand strategy to regain competitiveness in North America.

The delay clouds the future of two more GM assembly plants that build A-body cars.

As GM Chairman Robert Stempel announced last week that the board of directors had slashed the first-quarter dividend nearly in half, he also laid out a comprehensive cost-cutting plan that included lower capital spending through 1994.

"Clearly, in this highly uncertain economic environment, we must conserve cash and reduce costs further in order to provide GM with sufficient financial resources to maintain our important forward product development programs," Stempel said in a statement.

The key word in that sentence is "important," said a GM engineer, adding that the mid-sized Ciera and Century are not considered to be in that category.

One way to conserve capital is to delay spending the money, which is what GM plans with the Ciera and Century — both built off the A-body platform — according to four engineering sources inside and outside GM.

The delay was announced to some suppliers in late January, the sources said. The sources added that the very existence of the A-body platform is in serious jeopardy and that a decision on whether to keep it at all will depend in large part on 1991 sales.

Sales of the A-body cars in 1990 provided no encouragement.

- Sales of the Ciera plummeted 30 percent in calendar 1990, compared with 1989.
- Century sales dropped nearly 17 percent over the same period.
- Sales of the Pontiac 6000, also built off the A-body platform, fell 30 percent in 1990, but the car was scheduled to be dropped after the 1991 model year anyway.

Although the A-body cars have enjoyed success since their introduction in 1982, they became redundant after the 1988 release of the ballyhooed mid-sized W-body platform: Chevrolet Lumina, Pontiac Grand Prix, Oldsmobile Cutlass Supreme and Buick Regal.

In fact, the W-body platform was intended to replace the A-body platform, but GM kept some of the A-body cars because they continued to sell well.

Chevrolet immediately dropped the A-body Celebrity sedan, coupe and wagon in favor of the W-body Lumina line, and Pontiac began phasing out the 6000 line in favor of Grand Prix.

But the Century and Cutlass Ciera remained because they continued to fit with their divisions' marketing plans and customers continued to buy them.

The A-body and W-body cars were to share a number of chassis components beginning in 1993, when both platforms were to be redesigned. Now that plan has been mothballed, although the W-body cars will proceed as planned: Lumina and Grand Prix replaced in calendar year 1993, Cutlass Supreme and Regal in 1994.

One GM source said the delay of the A-body redesign means those vehicles will continue to be built with unique components at least until 1994, but added that sales will determine whether the platform survives until the mid-1990s.

Another GM source said all plans for the A-body platform are "in limbo now."

If the platform is axed, GM's Oklahoma City assembly plant would be left without a product.

The Ste. Therese, Quebec, plant

see GM CUTS, page 132

Other actions to cut costs

GM plans to:

- Reduce white-collar employment 15 percent, to 85,000.
- Reduce capital spending in 1991 to $7.0 billion, down from $7.5 billion in 1990.
- Seek price cuts from suppliers.
- Eliminate executive bonuses except in profitable subsidiaries.
- Cut employee stock-purchase programs.
- Continue $2 billion plan to close excess plants.

Dealers weigh-in lean

Scaling back, they say, is Job 1 in 1991

By Liz Pinto
AUTOMOTIVE NEWS STAFF REPORTER

Car dealerships are preparing for 1991 by turning themselves into lean, mean fighting machines.

Dealers across the country say they will run a tighter ship in the coming year to help them stay in the black.

"We're looking at everything — from little things like office supplies to bigger expenses like not hiring outside consultants," says Sheila Garcia, owner of Garcia Toyota-Honda in Albuquerque, N.M. Garcia is one of 44 dealers interviewed for the *Automotive News* feature that begins on Page 32: Face of the Dealer, 1991.

Face of the Dealer, Pages 32 to 108

Raymond Van Duren, owner of 12 franchises in New York and Florida, is expecting more out of a trimmed work force to keep his head above water in these trying times. Says Van Duren: "We've had to cut overhead and watch spending. People have to produce more and are expected to do a little bit more."

Also expecting more out of fewer employees is Peggy Kimnach, owner of Kimnach Ford Inc. in Norfolk, Va., who began to prepare for a worst-case scenario in the early 1980s.

Kimnach avoided over-hiring in the sales boom of the late 1980s and trained employees to handle a wider variety of tasks. She also diversified, investing in parts, repair and body work to cut dependence on new-vehicle sales.

But while most dealers agree that they plan to cut overhead, trim staff, and decrease inventory, they split on the question of maintaining advertising budgets.

"Advertising is a key element for us," says Scott Thomason, owner of Ford, Toyota, Nissan and Subaru dealerships in Portland, Ore.

"We spend what it takes to maintain a strong market presence, and we never back off."

On the other side, M.R. McIlwain, a Cadillac and Suzuki dealer in New Orleans, says: "There's no sense spending money on advertising if people aren't out there in the market."

Dealers believe that while people may not dish out the big bucks for a new car or truck, their aging vehicles will need repairs, parts or service — areas that dealers hope will pick up the slack from decreased new vehicle sales.

Many dealerships count on Yankee ingenuity and hard work to stay solvent in this difficult year. For instance, Kimnach is sponsoring auto-care clinics for women, a consumer group many dealerships admit they have neglected in the past.

Many will promote "consumers" to the ranks of royalty in 1991.

"You have to treat the customer as king," says Boston-area dealer William DeLuca III. "If he is satisfied, he will keep coming back."

Feeling the squeeze in the market for new vehicles, many dealers say they will increase emphasis on their used-car departments.

They are predicting that the aging U.S. car fleet will force many consumers to purchase replacement vehicles, whether they want to or not, and they believe the trend will be toward less-expensive used vehicles.

In 1989, the average age of passenger cars in use in the United States was 7.6 years.

So while dealers are slashing new-vehicle inventory, they are scrambling to boost the inventory of modestly priced used vehicles.

"We hired a new, aggressive used-car manager in the fall, and volume picked up in his first 30 days on the job," says Thom Lehman, owner of Hallett Pontiac-GMC in Miami. "There's a good market here for used cars and trucks."

But even with anticipated hardships and belt tightenings, all the dealers interviewed had positive outlooks, saying they have survived recessions in the past and plan on being around for years to come. They don't plan on letting negative vibes interfere with the success of their businesses.

Dealin' Doug" Moreland, owner of Cherry Creek Dodge in Aurora, Colo., is optimistic.

"For '91, we're going to maintain our inventory and go after a bigger piece of the pie," he says. "We're got the people, the product, the inventory, the advertising budget and the financing sources to make it a very successful year."

BUZANNE DE CHILLO

New York dealer Ed Hermann is convinced that by demanding that its dealers make substantial investments in facilities, BMW will be able to drop small-fry dealers like him. Hermann's Pace BMW store shares a showroom with his Oldsmobile store; his Honda showroom is in the same building.

BMW SHOWROOM BLUES

As sales fall, company pushes dealers to build for the future

By Jim Henry
AUTOMOTIVE NEWS STAFF REPORTER

NEW ROCHELLE, N.Y. — Two years ago, Ed Hermann sold 120 BMWs, the most he ever sold in a year. Last year, like about half of the BMW dealers in the country, he sold fewer than 100.

Now, he's convinced that BMW of North America Inc. wants to dump him and other small-fry dealers like him.

"What they want to do is get rid of about one-third of their dealers," he says.

Not so, says BMW. The importer says it wants to keep its dealer count near its current total of 377. But the company is demanding that its dealers make substantial investments in people and facilities. If that means it makes "economic sense" for some dealers to drop the franchise — well, it's up to the dealers to decide, says James J. Ryan, BMW's executive vice president of automotive operations.

BMW has stirred up a hornet's nest among its dealers. They rated BMW near the bottom of the industry in J.D. Power and Associates' 1990 Dealer Satisfaction Index, while most of BMW's competitors scored near the top.

Dealers complain that BMW is demanding more from them precisely when they can least afford it, with a recession and war hanging over everyone's head.

But BMW says now is precisely the time, especially since BMW is competing with start-up franchises like Lexus and Infiniti, with their "Taj Mahal" dealerships.

To sweeten its demands, BMW announced last month that it will even lend money to dealers to improve their dealerships, provided they are in good financial shape and they agree to make BMW the only brand in their showrooms.

Meanwhile, without singling out Hermann, BMW's Ryan suggested that his sort of location is no Taj Mahal.

Hermann's Pace BMW store shares a cramped eight-car showroom with Oldsmobile. A $50,900 BMW 735i sits next to a $23,795 Olds Bravada sport-utility. The Honda showroom is a few feet away in the same building.

Three years ago, Hermann spent $1 million on renovations. Last year, Hermann sold 900 Hondas, 300 Oldsmobiles and 72 BMWs.

Outside the dealership, parking

see BMW, page 126

Car-truck sales battered by war jitters

By Kathy Jackson
AUTOMOTIVE NEWS STAFF REPORTER

New-car and truck sales took a whipping last month, caused in large part by the war in the Persian Gulf.

Ford Motor Co. took the biggest pounding among automakers building cars in the United States.

Domestic cars, as a whole, fared better than the imported models. Truck sales plummeted dramatically.

A total of 824,217 cars and light trucks were delivered in January, down 27.71 percent from last year.

Domestic carmakers delivered 416,644 units, a 23.5 percent drop. Only Mazda Motor of America Inc. and Nissan Motor Corp. in U.S.A. reported sales increases among the nine automakers with assembly plants in the United States.

Light-truck sales plunged 32.01 percent with 269,759 deliveries.

Imported-car sales for the month totaled 137,814, a 30.68 percent decline. Only seven of 39 import makes reported sales increases.

Ron Glantz, securities analyst with Dean Witter Reynolds Inc. in San Francisco, says the Jan. 16 at-

see SALES, page 130